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RUEHBJ/AMEMBASSY BEIJING 0000

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SIPDIS

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TAGS: [ETTC](#) [PARM](#) [PREL](#) [MTCRE](#) [MNUC](#) [UP](#) [CH](#)  
SUBJECT: UKRAINIAN FIRM ARSENAL CONTINUES TO NEGOTIATE  
WITH CHINESE MISSILE/SLV END-USER TO SUPPLY GYROTHEODOLITE  
(S)

REF: A. 2007 STATE 161304  
[B.](#) 2007 KYIV 2928  
[C.](#) 2008 KYIV 706  
[D.](#) 2008 STATE 111716  
[E.](#) 2008 STATE 126516  
[F.](#) KYIV 108  
[G.](#) STATE 7146  
[H.](#) KYIV 314  
[I.](#) STATE 77663  
[J.](#) KYIV 1376  
[K.](#) KYIV 1942  
[L.](#) GOU-PROVIDED NON-PAPER SEP 23-24 2009

Classified By: ISN/MTR DIRECTOR PAM DURHAM FOR REASONS 1.4  
(B), (C), AND (D).

[1.](#) (U) This is an action request. Embassy Kyiv  
please see para 5.

[2.](#) (S) Background: Since November 2007, we have  
discussed with Ukrainian officials a case involving the  
sale of high-accuracy gyrotheodolites by the Ukrainian  
firm Arsenal to entities associated with China's  
Sanjiang Space Group (CSSG) (Refs). CSSG produces  
short-range ballistic missiles that exceed Missile  
Technology Control Regime (MTCR) Category I range and  
payload thresholds. Gyrotheodolites can be used to  
align guidance systems for mobile ballistic missiles,  
and can be controlled under the MTCR if designed or  
modified for use with Category I or II space launch  
vehicles or ballistic missiles. In April 2008, the GOU  
responded that Arsenal was not involved in the transfer  
of gyrotheodolites to CSSG-associated entities (Ref C).  
Subsequently, however, during late July/early August  
2008 U.S.-Ukraine nonproliferation discussions in Kyiv,  
we provided Ukraine information indicating that as of  
July 2008, Arsenal was in the final stages of a  
gyrotheodolite contract with China's Wuhan Sanjiang  
Import-Export Corporation, an entity subordinate to  
CSSG, and asked the GOU to look into this matter (Refs D  
& E). In response, GOU officials in January 2009  
indicated that Arsenal had not applied for a license to  
export gyrotheodolites to China, had not been engaged in  
efforts to export gyrotheodolites to China, did not have  
any relationship with China's Wuhan Sanjiang Import-  
Export Corporation, and did not engage in any  
cooperation with Chinese companies (Ref F).

[3.](#) (S) Despite the assurances provided by Ukrainian  
officials, we now have information indicating that as of  
late October 2009, Arsenal was working with the China  
Precision Machinery Import/Export Corporation (CPMIEC)  
to finalize a contract related to the delivery of a UGT-A  
high-accuracy gyrotheodolite to the Beijing Institute  
of Control and Electronics Technology (BICET). It  
appears that this activity is related to the cooperation  
the USG previously raised with the GOU involving Arsenal

and CSSG: BICET - like CSSG - is affiliated with CASIC, and the UGT-A gyrotheodolite sought by CPMIEC on behalf of BICET is the same model as that sought earlier by CSSG. We want to alert Ukrainian officials to this new information, urge them to conduct further inquiries into this matter, and take measures to ensure that Arsenal is not acting as a source of goods or technologies to China's MTCR Category I programs.

¶4. (S) Comment: Earlier in 2009, we raised with the GOU two possibly separate cases involving Arsenal and gyrotheodolite cooperation with Chinese entities of proliferation concern. In the first case, we provided Ukraine with information in January 2009 indicating that Arsenal was holding discussions with officials from the China Great Wall Industry Corporation (CGWIC) concerning a malfunctioning UGT-S high-accuracy gyrotheodolite previously sold by Arsenal to a Chinese customer (Ref G). During the September 23-24, 2009 Nonproliferation Working Group Talks in Kyiv, Ukrainian officials provided a non-paper confirming that Arsenal had conducted negotiations with the CGWIC concerning the warranty repair of a UGT-S gyrotheodolite previously sold to China, and that GOU authorities had approved a license for said warranty repair. In the second case (first raised by the U.S. during the September NPWG talks), we provided information indicating that Arsenal was working to establish a partnership related to the production of gyrotheodolites with China's Shaanxi Cangsong Machinery Plant (Ref K). Ukraine has not yet responded on this case. End comment.

¶5. (S) Action Request: Request Embassy Kyiv approach appropriate Ukrainian government officials to deliver talking points in paragraph 6 below and report response. Talking points also may be provided as a non-paper. Post can note that this issue could be separate from the gyrotheodolite cooperation Arsenal has engaged in with Chinese entities outlined in para 4.

¶6. (SECRET//REL UKRAINE) BEGIN TALKING POINTS/NON-PAPER:

-- We would like to follow-up with you on a matter of proliferation concern and request your government's continued assistance in investigating and stopping this activity.

-- In November 2007, we provided you with information indicating that the Ukrainian firm Arsenal Design Bureau was finalizing the sale of a UGT-A high accuracy gyrotheodolite to entities associated with China's Sanjiang Space Group (CSSG).

-- CSSG produces short-range ballistic missile systems that exceed Missile Technology Control Regime (MTCR) Category I range and payload thresholds and is affiliated with the China Aerospace Science and Industry Corporation (CASIC), a designer and developer of space launch vehicles and ballistic missiles.

-- We noted that gyrotheodolites can be used in the alignment of ballistic missile guidance systems, and if designed or modified for use with MTCR Category I or II systems, they are controlled under Item 12.A.1 of the MTCR Annex.

-- We were therefore concerned that this gyrotheodolite could be used to support China's MTCR Category I missile programs.

-- Your April 2008 response indicated that Arsenal was not transferring gyrotheodolites to CSSG-associated entities.

-- However, during the 2008 U.S.-Ukraine nonproliferation talks in Kyiv on July 31-August 1, we provided further information indicating that in early

July 2008, Arsenal was finalizing a contract with China's Wuhan Sanjiang Import-Export Corporation on behalf of CSSG.

-- In response, you indicated that Arsenal did not request a license/permit from Ukraine's State Service of Export Control related to the transfer of UGT-A high accuracy gyrotheodolites to China.

-- You also told us that Arsenal had not been engaged in efforts to export gyrotheodolites to China, did not have any relationship with China's Wuhan Sanjiang Import Export Corporation, and did not engage in cooperation with Chinese companies.

-- We now have additional information indicating that in late October 2009, Arsenal Design Bureau was working with the China Precision Machinery Import/Export Corporation (CPMIEC) to finalize a contract related to the delivery of a UGT-A high-accuracy gyrotheodolite to China.

-- We understand that the ultimate end-user of this item is the Beijing Institute of Control and Electronics Technology (BICET), an entity that - like CSSG - is affiliated with CASIC.

-- This activity appears similar to the cooperation we previously raised with you involving Arsenal and CSSG.

-- Additionally, the UGT-A gyrotheodolite sought by CPMIEC on behalf of BICET is the same model as that previously sought by CSSG, according to our information.

-- Although Arsenal may not have applied to Ukrainian authorities for a license related to the transfer of gyrotheodolites to China, it appears that negotiations are occurring nonetheless.

-- We urge you to investigate the possibility that Arsenal may be involved in these negotiations without having applied for the necessary licenses from Ukrainian authorities, and to take measures to ensure that Arsenal is not serving as a source of goods or technologies for China's MTCR Category I programs.

-- We look forward to hearing of any updates on the progress of your investigation of this case.

17. (U) Please contact ISN/MTR's John Paul Herrmann with any questions or follow-up related to this case (202-647 1430 - herrmannjp2@state.gov or herrmannjp@state.sgov.gov) and slug reporting on this issue for ISN/MTR, EUR/UMB and EUR/PRA.

18. (U) A word version of this document will be posted at [www.state.sgov.gov/demarche](http://www.state.sgov.gov/demarche).  
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